

**Department of
Veterans Affairs**

Memorandum

Date: September 19, 2000

From: Director, Kansas City Audit Operations Division (52KC)
VA Office of Inspector General

Subj: Management Advisory – Selected Internal Controls, VAMC Fayetteville, AR
(Report No. 00-01416-106)

To: Director, VA Medical Center Fayetteville, AR (564/00)

1. Introduction

As part of an investigation at the Department of Veterans Affairs Medical Center (VAMC) Fayetteville, AR, the Office of Inspector General reviewed internal controls over drugs, equipment accountability, and keys. This management advisory provides the results of our review.

2. Results

a. Drug Controls

Controlled Substance Inspections. Controlled substance inspections were generally in compliance with VA policy contained in VA Manual M-2, Part VII. The inspectors held random, unannounced inspections monthly and generally followed local and VA policy in conducting the inspections. The Controlled Substances Inspection Coordinator had selected inspectors who did not handle drugs. During our review, we did not identify any instances of theft of controlled substances. However, we found some areas that could be improved to enhance compliance with VA policy requirements and to protect against theft.

- Nursing staff in ward areas should retain drug accountability records—known as “green sheets”—until the inspectors complete their review. The pharmacy issues a green sheet with each quantity of a controlled substance issued to the wards. Nursing staff has been returning green sheets to the pharmacy when the quantity is fully dispensed to patients. We found that in 8 of the 11 work areas inspected between May 1999 and January 2000, nurses returned 67 green sheets to the pharmacy before the inspection was completed.

Accounting for each of the green sheets is a monthly requirement for the inspectors, and the inspections could be conducted more effectively and timely if the green sheets were kept on the wards. Management implemented action to require that green sheets remain in each ward area for appropriate accounting by inspectors during our review.

- When reviewing green sheets on patient wards, inspectors should trace a sample of the record entries of controlled substances dispensed from ward stock to verify that the dosage was entered in the patients' medical records. Also, for a sample of entries, the inspectors should verify that Doctor's Orders were written for the medication dispensed for that patient, at that time, and in that dosage. This review was not accomplished, although a June 1998 VAMC policy required it. A new policy, issued in March 2000, did not require it. Management was updating the new policy to include this requirement.
- Inspectors should interview a sample of patients (1-2) still on the ward to determine that the patient actually received the dosage. This can be accomplished by asking whether the drug effectively relieved pain and was administered at the time listed. Management implemented corrective action during our review.
- Inspectors and nurses should be alert to the expiration dates of all controlled substances on the wards. Our review of inspections conducted in 1999 showed four instances in which expired drugs were not identified. For example, in one instance, drugs had expired in June 1998 but were not identified until the January 1999 inspection. Inspectors should have noted the drug expiration date each month from June through December 1998. Moreover, nurses should also have noticed the expiration date when conducting daily accountability reviews. The expiration dates were listed on dispensing records, which the pharmacy provided to inspectors to account for quantities dispensed. However, the "expired date" field in the drug accountability software often did not contain a correct entry, and some expiration dates on the dispensing records differed from the dates on the medicine.
- Inspectors should account for controlled substances awaiting return for credit, but not yet mailed. These were stored in a locked cabinet in the vault area of the pharmacy.
- Training should be provided to the inspectors and the Inspection Coordinator so that they are aware of theft or fraud indicators during inspections and the procedures for receipt and destruction of controlled substances.

High Cost, Non-Controlled Drugs. Pharmacy Service did not implement required inventory controls over high-cost, non-controlled drugs. Veterans Health Administration (VHA) Directive 98-020, dated March 31, 1998, requires that VAMCs initiate inventory controls over high cost, non-controlled drugs, identified as being at risk for theft or diversion. The directive states that a minimum of least 20 drugs will be identified for periodic audits of procurement and dispensing records.

Access to Controlled Substances. Fewer persons should have access to the controlled substances safes. We found that 13 people in Pharmacy have access to the controlled substances safes (12 pharmacists and 1 pharmacy technician). VA policy in Handbook 1108.1 requires that access should be limited to 10 or fewer people.

Management had ordered special storage modules to improve drug accountability. The modules have high security drawers which store, dispense, control, and automatically track medications, while limiting access.

b. Equipment Accountability Controls

As part of the investigation, 25 pieces of stolen VA equipment valued at \$12,505 were recovered. There were numerous other items for which a value could not be established. Small hand tools were also seized, but such tools were not listed individually on the Equipment Inventory Listings (EILs).

Our review of equipment accountability showed that the medical center's equipment could have been better accounted for and protected against theft. We found that EILs were not completed annually for one service, as required by VA policy. VA Handbook 7127—Materiel Management Procedures—prescribes that each facility should select one of two options to inventory non-expendable property. One option is a physical inventory, in which the frequency of the inventory is from 6 months to 2 years, based on the accuracy of the prior inventory. The other option is inventory by exception in which bar code scanners are used to identify equipment; items not inspected or otherwise counted via bar code scan since the last inventory must be physically inventoried. Verification of inventory accuracy must be accomplished by quarterly spot checks of EIL records.

We reviewed EILs for 40 areas of the hospital and outpatient clinic and found that bar coding was not used. Inventory reviews were conducted once a year for all areas except Information Technology Service (ITS), which had not completed a review since September 1997. Further, Acquisition and Materiel Management Service (A&MMS) personnel did not spot check EIL certifications to verify that the physical inventory was conducted properly.

Management should implement a bar code system of equipment accountability. Bar coding allows quick verification of all accountable items by location. The necessary equipment and software were available at the facility to have implemented bar coding. Once rooms and equipment are bar-coded, an A&MMS employee could conduct the accountability reviews facility-wide, which would eliminate the need for a separate spot check.

c. Key Controls

We found that keys seized during the investigation gave an employee unauthorized access to areas such as the surgical suites, laboratory, storage trailers for ITS and Environment Management Service (EMS), the library, and some areas of primary care. One of the keys was a master key identical to those used by the Police and Security Service.

The facility was installing a new system of lock and key controls, but it was not in place facility-wide. The prior system did not have a means of identifying each key and whom it was issued to, whereas the new system does. During our visit, VAMC management agreed to expedite facility-wide installation of the new key system.

d. Other Observations

Management needed to ensure that hospital waste is properly sterilized. During the investigation, we were advised that staff did not properly sterilize hospital waste sent to the local landfill and that the responsible supervisor was not ensuring that waste was properly sterilized.

3. Conclusions

Internal controls over drugs, equipment, and keys needed improvement. Management had ordered storage modules to improve controls over drugs, but additional action was necessary to enhance accountability for controlled substances and high-cost noncontrolled drugs. Management needed to initiate bar coding of equipment for a more effective and efficient system of accountability. Procedures over equipment items that are excess, scrap, or in storage needed to be improved to account for the items or remove them from inventory listings. Management was in the process of implementing a new key system to improve key controls.

Proper procedures were not followed regarding the sterilization and destruction of items sent to the sterilizer building. VAMC management needed to improve supervision in this area.

4. Recommendations

We recommend that you improve internal controls by:

- a) Requiring the Controlled Substances Inspection Coordinator to ensure that inspectors:
 - 1) Sample charts to ensure that controlled substance dosages dispensed from ward stock are properly accounted for in patients' medical records.
 - 2) Sample charts to verify physician orders for patients who have received controlled substances.
 - 3) Are alert to expiration dates of controlled substances.
 - 4) Account for controlled substances turned in for destruction or return for credit.
- b) Training the Controlled Substances Inspection Coordinator and inspectors in theft and fraud awareness.
- c) Ensuring that the Chief, Pharmacy Service:
 - 1) Establishes controls over high-cost, non-controlled substances.
 - 2) Limits access to the controlled substances as provided in VHA Handbook 1108.1.
- d) Ensuring that equipment accountability reviews are conducted in accordance with guidance prescribed in VA Handbook 7127, including spot checks of Equipment Inventory Listings certifications to verify that the physical inventory was conducted properly.
- e) Ensuring that hospital waste is properly sterilized.

Medical Center Director's Comment

The Medical Center Director took immediate action to address all of the recommendations. (*The full text of the Director's comment is contained in the Appendix, pages 7-9.*)

Office of Inspector General Comment

The Director's comment is responsive to our recommendations and we consider the issues resolved. However, we will follow up on implementation of corrective actions.

For the Assistant Inspector General for Auditing,

(Original signed by:)

WILLIAM H. WITHROW

cc: Director, Management Review and Administration Service (105E)
Director, Veterans Integrated Service Network (10N16)

July 3, 2000

Medical Center Director (00)

Response to Draft Management Advisory

Director, Kansas City Operations Division (52KC)
VA Office of Inspector General

1. Attached are the actions implements by VAMC - Fayetteville in response to the findings and recommendations made by the Office of Inspector General in their Management Advisory memorandum dated June 15, 2000.
2. Any questions may be referred to Doris B. Cassidy, Acting Associate Director, at 501.444.5058.
3. Thank you for the opportunity to respond to the issues addressed.

(Original signed by:)

MICHAEL R. WINN

The following actions has been implemented in response to the Office of Inspector General review of internal controls over drugs, equipment accountability and keys outlined in the report date June 15, 2000.

Drug Controls

Controlled Substance Inspections:

- Controlled substance policies have been updated to meet all the requirements of M-2, Part VII and the IG recommendation.
- Inspectors have been trained by the Drug Enforcement Agent and the Pharmacy to heighten awareness of theft or fraud indicators during inspections and the procedures for receipt and destruction of controlled substances.
- Implemented a pro forma check list that outlines the inspection process for the inspectors.
- Policies and Procedures for the Inspectors and for the Pharmacy has been updated and revised to reflect the recommended changes.
- Green sheets are no longer returned to Pharmacy until the controlled substance inspectors have reviewed them at the site where they were dispensed.
- Inspectors review green sheets and verify a sample of entries on the green sheets by comparing them to patients' medical records or interviewing patients.
- Inspectors trace a sample of record entries to verify that the dosage was entered in the patients' medical record and they verify the Doctor's orders to ensure that the medication dispensed for the patient was timely and in the dosage ordered.
- Inspectors interview a sample of patients still on the unit to determine that medication was received, i.e., did the medicine help to relieve the pain and what times are you receiving the drugs?
- Through training and staff discussion, inspectors, nurses and pharmacy personnel are alert to expiration dates of all controlled substances. The installation of Omni cell in July 2000 will significantly improve this process.
- Inspector account for all controlled substances awaiting return for credit or destruction.
- Staffing reassignments has been implemented in the controlled substance areas restricting the number of staff who has access.
- Increased prescription pad control
- Staff education concerning early refill requests and required action
- Improved control of out-dated stock
- Increased awareness of managing employee prescriptions and patient prescriptions aggressively and the same.
- Initiation of CMOP process of C-III thru C-V prescriptions
- CMOP prescriptions via "traceable" FedEx
- Expansion of controlled substance area to reduce congestion and stress
- Controlled Substance Inspection Coordinator is working closely with Pharmacy staff to increase her knowledge base about 'the procedures for receipt and destruction of controlled substances.

High Cost, Non-Controlled Drugs:

Pharmacy Service has implemented a high cost drug monitor to provide inventory controls over high-costs, non-controlled drugs. On a monthly basis, five (5) high-cost drugs will be monitored for procurement and dispensing expenditures. This monitor will include Fayetteville VAMC, Gene Taylor Community Based Outpatient Clinic and Murfreesboro CMOP expenditures and dispensing activity. Drug selection will be changed on a quarterly basis such that the top 20 drugs will be monitored on a yearly basis. This information will be forwarded to the Medical Center Director and the Chief of Staff quarterly.

Access to Controlled Substances:

Pharmacy Service has restricted access to controlled substance vaults to one primary pharmacist. There is one designated pharmacist to provide break and lunch coverage for the primary pharmacist who also is the "late" and "on-call" pharmacist. Vault access is restricted to these two (2) pharmacists. Access is monitored by the Chief Pharmacy Service on a weekly basis. Any emergency access must be explained via e-mail to the Chief, Pharmacy Service within 24-hours of occurrence. The installation of the 0mm cell vaults in July 2000 will significantly improve access and monitoring capabilities.

Equipment Accountability Controls

The bar code system of equipment accountability is being implemented. This was started while the IG was on station with 18 services completed. The projected date for full implementation is December 30, 2000. Equipment accountability reviews will be conducted in accordance with VA Handbook 7127.

Key Controls

The medical center has reorganized the storage of supplies and equipment that is received new and the equipment that has been turned-in, in excess or in-storage. This is now controlled in the warehouse with entry alarms. Trailers have been emptied will be removed from the station. Medical center personnel are replacing keys; however, high-risk areas are assigned priority.

Other Observations

Medical center staff do not sterilize all hospital waste sent to the landfill. White bag waste is ground to meet Privacy Act requirements but not sterilized. There is no reason to sterilize white bag waste. Only medical waste is sterilized. All waste is ground prior to sending to the landfill. Closer observation by the first line supervisor and the Service Chief has been implemented.